



An examination of comment letters concerning an increase in audit exemption thresholds. Evidence from Finland

Elina Haapamäki

To cite this article: Elina Haapamäki (2021): An examination of comment letters concerning an increase in audit exemption thresholds. Evidence from Finland, Accounting Forum, DOI: [10.1080/01559982.2021.1974234](https://doi.org/10.1080/01559982.2021.1974234)

To link to this article: <https://doi.org/10.1080/01559982.2021.1974234>



© 2021 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group



Published online: 19 Sep 2021.



Submit your article to this journal [↗](#)



View related articles [↗](#)



View Crossmark data [↗](#)

An examination of comment letters concerning an increase in audit exemption thresholds. Evidence from Finland

Elina Haapamäki

University of Vaasa, School of Accounting and Finance, Vaasa, Finland

ABSTRACT

This study examines how interest groups have reacted to the suggested increase in the audit exemption thresholds in Finland. The results suggest that the lobbying opponents objected to the increase because of the benefits gained from the auditing of financial statements. Considerable reliance is placed on the audited accounts of Finnish small firms in maintaining societal functionality. Hence, the results are supported by the public interest theory. In contrast, the comment letters that supported the increase highlighted the need to follow international trends. The findings of the lobbying behaviour suggest that the interest groups collected information and strategically transferred it to the ministry with the objective of influencing the regulatory outcome. To conclude, this study contributes to a more detailed understanding of the role that the key arguments both for and against the proposed regulatory change played in the case of increasing the audit exemption thresholds. Finally, this study joins existing lobbying literature and contributes to this stream of research by shedding light on the importance of the argumentation strategies used in the Finnish case.

ARTICLE HISTORY

Received 10 September 2019
Accepted 25 August 2021

KEYWORDS

Audit exemption thresholds;
harmonization; regulation

ACCEPTED BY

Charles H. Cho

1. Introduction

Countries differ regarding whether they have statutory audit requirements for small firms (Minnis & Shroff, 2017). The observed variation in audit exemption thresholds raises the political question of the need for and value of auditing in small firms. The political discussion around audit exemption thresholds has been active during the last decade in Europe (Vanstraelen & Schelleman, 2017). This is due to the European Commission's commitment to policies that reduce administrative burdens on small companies. The relaxation of the regulatory burden rests on the assumption that the reduction of statutory burdens for small companies will boost the European economy (European Commission, 2010).

Responding to these recommendations from the EU level, policy makers in Finland have suggested that there is an increasing need to examine the regulatory burdens for Finnish small firms. In 2016, the Ministry of Economic Affairs and Employment (hereafter, the ministry) established a working group to examine *inter alia* auditing and the

CONTACT Elina Haapamäki  elihaa@uwasa.fi  University of Vaasa, School of Accounting and Finance P.O. Box 700, FI-65101 Vaasa, Finland

© 2021 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group

This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial-NoDerivatives License (<http://creativecommons.org/licenses/by-nc-nd/4.0/>), which permits non-commercial re-use, distribution, and reproduction in any medium, provided the original work is properly cited, and is not altered, transformed, or built upon in any way.

necessity of statutory audit requirements for small firms. In January 2018, the ministry released a memorandum suggesting that the audit exemption thresholds should be increased. After the publication of the memorandum, the proposal was sent to different official quarters for comment. Such consultation processes are known as lobbying processes, which are common in the field of accounting and standard setting (Arafat et al., 2020; Rey et al., 2020).

Many previous studies have examined the arguments that are used against or in support of proposals for accounting regulatory changes (e.g. Ang et al., 2000; Larson, 2008). In addition, prior studies have highlighted the importance of conducting closer analysis of the contents of lobbyists' submissions because they may reveal that the positions taken by the lobbyists are rarely straightforward (Ang et al., 2000). Therefore, previous literature has concentrated on the argumentation strategies (Gros & Worret, 2016). In the current Finnish case, the comment letters are publicly available, providing a unique opportunity to investigate lobbying in the case of audit exemption thresholds. Hence, this study examines the following research questions:

- (1) How are interest groups reacting to the suggested increase in audit exemption thresholds?
- (2) What reasons do interest groups give as to their support or opposition to the suggested regulatory change?
- (3) What kind of argumentation strategies did interest groups use in their comment letters?

Due to the nature of the research questions, a qualitative analysis was conducted, as suggested by Gioia et al. (2013) and Reuter and Messner (2015). The results reveal that most of the comment letters did not support the increase in the audit exemption thresholds. The comment letters that opposed the increase stated that statutory audits for smaller companies create positive externalities because of their incremental contribution to the strength of the information environment in which small companies operate. Furthermore, the societal value of auditing in the Finnish context was emphasized. The opposing comment letters clarified that accurate financial statements and auditing play a critical role in advancing the public interest and the suggested cost savings are debatable. Furthermore, the lobbyists were concerned about the possible negative consequences. Hence, the results are supported by the public interest theory. In contrast, a minority of the comment letters supported the increase. These supporting arguments highlighted the following of international trends, freedom of choice, and the fact that the current thresholds are over-regulated.

The findings obtained from analyzing the lobbying behaviour suggest that the most commonly deployed strategy of argumentation was the use of both conceptual and self-referential arguments. These findings indicate that the interest groups might think that their lobbying is more powerful and influential if they present self-referential and conceptual arguments jointly to comment on the proposal to increase the audit exemption thresholds neutrally and in a balanced way. The interest groups were acting as a transmitter of information for the ministry by providing relevant information about the performance of the suggested increase. By providing relevant information, the lobbyists aimed to diminish the uncertainty related to the possible consequences. Therefore,

the interest groups collected information and strategically transferred it to the ministry with the objective of influencing the regulatory outcome. The results of this study are consistent with the theory of incentives and the presence of information asymmetry.

To conclude, the political process of increasing audit exemption thresholds in a local context is scarcely examined. Prior studies have not examined lobbying argumentation strategies in the case of increasing audit exemption thresholds. Hence, the previous studies have been silent how interest groups justified their support or opposition to the suggested regulatory change. The present study is aiming to address this research gap in the literature. Hence, this study joins existing political lobbying literature and contributes to this stream of research by shedding light on the arguments stated for and against the proposed regulatory change. The results contribute to the audit exemption literature by updating and extending the previous policy-based discussion about reducing the accounting and auditing obligations for small companies in Finland and Europe.

The remainder of the paper is organized as follows. Section 2 presents the theoretical context related to the topic. Section 3 provides the background by discussing the statutory audit requirement and the reduction of accounting and auditing obligations for small and medium-sized enterprises (SMEs). In addition, the Finnish setting is described in Section 3. Section 4 explains the research design, and Section 5 presents the findings. Finally, Section 6 discusses the key conclusions.

2. Theoretical context

2.1. *The role of politics and lobbying in the regulatory process*

This section presents the concepts and relationships between politics and lobbying in the accounting regulatory process. The accounting regulation process has been presented as a political activity with potential economic and social consequences (Stenka & Taylor, 2010). Recent studies (Arafat et al., 2020; Gros & Worret, 2016) have also supported this theoretical view, suggesting that the accounting rule-making process is often considered as a political activity in which interested parties are given the opportunity to lobby and influence the regulatory process, and possibly the outcome. Lobbying on accounting issues has been defined as a collective term for the actions taken by interested parties; hence, written comment letters are only one aspect of the variety of actions encompassed by lobbying but are usually the main source available to researchers (Weetman et al., 1996). Theoretical approaches exploring the accounting and auditing regulation processes have been used in the literature. For instance, prior literature has suggested that the public interest theory can explain the demand for accounting and auditing regulation (e.g. Posner, 1974). Under the public interest theory, regulators are benevolent in the sense of making decisions that are socially efficient (Gipper et al., 2013). In particular, the public interest theory emphasizes that regulation exists to solve certain types of market failure or externality in markets. Lennox and Pittman (2011) stated that “information is a public good and, as with all public goods, there is a concern that too little would be supplied under private contracting” (p. 1655). Relatedly, Baker et al. (2014) stated that the avowed purpose of the regulation of statutory auditing is to protect

the public interest. According to public interest theory, regulation can be explained by the need to prevent or correct undesirable market results. Public interest theory is usually applied to explain regulation as an aim for economic efficiency (den Hertog, 1999). In practice, it is suggested that a certain level of controls could be useful to avoid business failures and therefore that the control level (statutory audit) is for the public good. Previous literature regarding the demand side of lobbying was built on the theory of incentives and has acknowledged the information asymmetry between rule-making bodies and interest groups (Gros & Worret, 2016). According to the theory of incentives, interest groups can act as a transmitter of information for the rule-making body and provide relevant information about the applicability and performance of a new regulatory project (Laffont & Martimort, 2009). In other words, the incentive theory considers the paradigm of a benevolent constitution that maximizes social welfare under incomplete information, and the rule-making body is viewed as an informed actor (Laffont, 1999). According to the theory of incentives, the interest groups may collect information and transfer it to the regulator with the aim of influencing the regulatory outcome.

Moreover, prior studies have suggested that the lobbyists' submissions are informative for national regulators because the interest groups might have an informational advantage (Königsgruber, 2013). Hence, lobbyists might have access to information that will improve the regulators' decision-making (Hansen, 2011). As a result, literature has highlighted the role of lobbying as a channel of information when examining expertise-based lobbying (Hoffmann & Zülch, 2014; Königsgruber, 2013).

2.2. Argumentation strategies of lobbying participants

Prior literature has suggested that respondents may adopt sophisticated lobbying strategies when making submissions (Manson & Zaman, 1999). Usually, the argumentation of lobbying participants has been divided into the following categories: i) conceptual arguments, ii) self-referential arguments, and iii) a mixture of conceptual and self-referential arguments (Gros & Worret, 2016; Hoffmann & Zülch, 2014; Reuter & Messner, 2015). It is suggested that lobbying participants using conceptual arguments base their reasoning on theoretical and conceptual soundness as well as the technical practicability of the proposals (Stenka & Taylor, 2010). Lobbying respondents using conceptual arguments also refer to the potential institutional and legal complications caused by the proposals if they conflict (in the respondents' view) with the current government policies or already existing regulations (Stenka & Taylor, 2010). In contrast, self-referential arguments are statements that relate to the effects for the issuer.

Prior studies have found mixed results when examining the argumentation strategies. For instance, Gros and Worret (2016) found that the most used strategy of argumentation regarding the audit regulation in the EU was conceptually based argumentation, followed by the other types. Hoffmann and Zülch (2014) examined lobbying strategies in accounting standard setting in the parliamentary environment of Germany. Their findings suggested that the most common lobbying strategy of associations was conceptual arguments; however, among parliamentarians, the most common strategy was self-referential arguments.

Table 1. EU maxima for audit exemption (€).

	2003	2008	2013
Balance sheet total	€3.65 m	€4.40 m	€6.00 m
Net turnover	€7.30 m	€8.80 m	€12.00 m
Average number of employees	50	50	50

Notes: Adopted from the Council Directive 2003/38/EC, the EU Fourth Company Law Directive 2006/46/EC, and the EU Directive 2013/34/EU.

3. Background and the current case

3.1. Political discussion on reducing the accounting and auditing obligations for SMEs

Harmonization of practices is a general political goal in the EU. However, statutory audit requirements vary significantly among EU countries (Accountancy Europe, 2019). Statutory audits are not explicitly required for companies defined as “small undertakings,” and recital 43 of the Accounting Directive clarifies that this omission is intentional. However, Member States can impose audits on small undertakings as a matter of national law, although they should be appropriate to the conditions and needs of the company and the users of its accounts. The 2013 EU Accounting Directive defines the current EU maxima for audit exemption thresholds, and Table 1 presents a timeline of EU maxima thresholds.

As setting financial reporting requirements for small firms is a question of public policy, it has been proposed that a socially accepted regulatory solution concerning the obligations of SMEs needs to be designed such that it serves the public interest rather than special interests (Minnis & Shroff, 2017). Literature points that the demand for private firms’ accounting information being lower than for public companies, the accuracy of the information filed by private companies is potentially important. Politicians and regulators need to understand the causes and consequences of private company reporting when trying to gain the most favourable level of statutory audit regulation. The political discussion on reducing the regulatory burden on SMEs has concentrated on the main arguments supporting and opposing the accounting and auditing obligations. The supporting reasoning emphasizes the benefits obtained from requiring small firms to disclose audited financial statements. In particular, the importance of reliable financial information for the owners and managers of small enterprises and their stakeholders is highlighted (Dedman & Kausar, 2012). Relatedly, Hope et al. (2011) provided evidence that credible financial information plays an important role in reducing information asymmetry between private firms and external providers of finance.

Furthermore, the supporting arguments highlight that the tax authorities obtain third-party assurance of the quality of parts of small firms’ tax filings (Downing & Langli, 2019). Höglund and Sundvik (2019) emphasized that the tax authorities might be the main user of small companies’ accounts. Hence, in an environment in which taxation is essentially based on financial reports, the accuracy of financial statements is crucial for the public interest.

In contrast, those views that promote the reduction of statutory obligations emphasize that it is of crucial importance for the accounting systems applied by small enterprises to

meet their needs, providing necessary information while avoiding an unjustified administrative burden (Tabone & Baldacchino, 2003). It has been suggested that statutory obligations can be reduced by cutting unnecessary regulations and, in doing so, giving SMEs time to focus on their core competencies (SMEs of the EPP, 2019).

4. The Finnish setting

Finland joined the EU in 1995 and, as a Member State of the EU, the regulation of auditing in Finland complies with the directives of the European Commission (Niemi et al., 2012). However, as legislation on auditing and accounting is issued at the national level in the EU countries, differences in legal frameworks remain. The Finnish Auditing Act prescribes the general qualifications of auditors, the scope of the statutory audit, and auditors' reporting. The act also mandates regulatory bodies to authorize and supervise the members of the profession. However, the current Finnish legislation does not require a similar kind of competence qualification for bookkeepers (Government of Finland, 2015, 2016).

The smallest corporations are exempted from the statutory audit obligation, but it must be noted that the audit exemption¹ was not introduced until 2008 and, even then, it has only been available to micro-companies (Ojala et al., 2016). During the past decade, reducing the administrative burdens of audits has been a key issue in the political discussions concerning small companies in Finland (Finnish Ministry of Economic Affairs and Employment, 2010, 2018a). In April 2016, a working group started to examine possible solutions to lighten the statutory auditing regulation. After the survey work, in January 2018, a memorandum that suggested increases in the audit exemption thresholds was released. The memorandum stated that an entity should be exempt from a statutory audit if one of the following criteria is met for the two previous financial periods: (1) The total balance sheet is under 350,000 euros; (2) The turnover or equivalent is under 700,000 euros; (3) The number of personnel is under 10. The memorandum suggested that the change would lighten the legislation, increase the freedom of businesses, and decrease the annual administrative costs for the smallest companies (Finnish Ministry of Economic Affairs and Employment, 2018a). An analysis of the Finnish business structure suggests that Finland is a country of small businesses. The following statistics support this view and present the cornerstone of the Finnish economy. Overall, there are 360,818 companies in Finland, and they employ 1.4 million people and pay taxes that are used to fund services that everyone uses. To sum up, of all companies, 340,371 (94.3%) employ fewer than 10 people, and these companies are categorized as micro-enterprises. In addition, there are 16,843 (4.7%) small enterprises, 2,971 (0.8%) medium enterprises, and 633 large enterprises (0.2%) in Finland (Statistics Finland, 2020). Hence, it can be suggested that SMEs contribute significantly to Finland's non-financial business economy. They generate 60.9% of the total value added, slightly more than the EU average of 56.8% (European Commission, 2018).

¹According to the current Finnish Auditing Act 1141/2015, an entity is exempt from a statutory audit if two of the following criteria are met for the two previous financial periods: (1) the total balance sheet is under 100,000 euros; (2) the turnover or equivalent is under 200,000 euros; and (3) the number of personnel is under three. The limits for the duty to carry out an audit are exceptionally low in Finland, significantly lower than in other EU countries.

There are also other institutional characteristics in Finland that should be noted. Finland is classified as a Continental European country (Niemi & Sundgren, 2012), and these countries typically have a code law system and a bank-based finance system (LaPorta et al., 1998). Finland is therefore a bank-dominated code law country. In addition to trade credit, loans from banks and other financial institutions are the most common source of external finance for Finnish small firms (Niemi & Sundgren, 2012). In Finland, as in code law countries in general, small firms typically have more concentrated ownership structures than firms in common law countries (Karjalainen, 2011). Hence, the separation of ownership and control might not be so evident among small firms in Finland. Niskanen et al. (2011), using a sample of Finnish small firms, found that the demand for audit quality is driven by owner–creditor agency costs rather than conflicts of interest induced by the separation of ownership and control. Information asymmetry and agency conflicts between owners and creditors might be more relevant than information asymmetry between managers and owners in the Finnish context (Karjalainen, 2011).

Moreover, Finland has a high alignment between financial reporting and tax accounting (Höglund & Sundvik, 2019). In a setting of high tax alignment, financial statements are used as a basis for taxation and, therefore, the quality of financial statements plays an essential role because the tax returns are based on financial statements (Downing & Langli, 2019). High-quality financial statements are important to the Finnish authorities to ensure that the taxes are accurate and that small companies in Finland are operating according to the laws and are not, for instance, associated with the grey economy.²

5. Research design

5.1. Data and general remarks

The proposal to increase the audit exemption thresholds was open to public comments from January 16, 2018 to March 13, 2018. In August 2018, the proposal was open for a second comment round, with a deadline of the beginning of October 2018. In all, 85 comment letters³ were received, 42 in the first round and 43 in the second round. All the comment letters were categorized according to the type of respondent that they represented, and the following categories were used: i) accounting and auditing profession, ii) public authorities, iii) users of financial statements, iv) academia, and v) others. The comment letters were coded into three different groups relating to whether they agreed with, disagreed with, or were undecided regarding the increase in the audit exemption thresholds. This process led to the construction of tables that classified the subjects

²Companies participating in the grey economy in Finland usually have a turnover of less than EUR 2 million. The total number of grey economy audits carried out in 2019 was 588. The taxes levied in these cases amounted to 19.3 million EUR of valued-added taxes (25.5 million EUR with tax increases) and 12.6 million EUR of employer contributions (19.2 million EUR with tax increases). The unreported earnings found in the audits amounted to 86.6 million EUR and the taxes levied on them were 23.5 million EUR. The audits found that approximately 25 million EUR in hidden dividends had not been declared. Using falsified receipts in accounting is a typical means of tax evasion. A total of about 4,850 falsified receipts were found during tax audits in 2019, with a value of over 31 million EUR (Finnish Tax Administration, 2020).

³The Federation of Finnish Enterprises (Suomen Yrittäjät) and the Federation of Finnish Financial Administration (Taloushallintoaliitto) produced one statement together in the first round. Thus, the total number of lobbying participants is 86. The comment letters are available at <https://tem.fi/hankesivu?tunnus=TEM031:00/2016>.

Table 2. Summary of the comment letters and interest groups.

Interest group	Number of comment letters that supported the proposal first round (second round)	Number of comment letters that opposed the proposal first round (second round)	Number of comment letters that did not take a direct stance on the issue first round (second round)
<i>Accounting and auditing profession</i>			
Recognized supervisory bodies	2* (2)	3 (3)	
Big 4 firms		3 (2)	
Mid-tier audit firms		4 (5)	
Individual auditors		1 (3)	
Public authorities		4 (5)	6 (4)
Users	5 (3)	4 (2)	2 (0)
Academia	0 (1)	1 (4)	1 (0)
Others	4* (4)	1 (2)	2 (3)
Total	10 (10)	21(26)	11 (7)

Notes: * The Federation of Finnish Enterprises and the Federation of Finnish Financial Administration produced one comment letter together in the first round.

and topics addressed most frequently by the respondents. Table 2 presents the summary of the comment letters and interest groups.

Due to the nature of the research questions, a qualitative content analysis was conducted, as suggested by Gioia et al. (2013) and Reuter and Messner (2015). Qualitative research is appropriate for providing in-depth awareness of the perspectives of the audit exemption discussion. The flexibility of qualitative research is likely to uncover new phenomena in the audit exemption context. Using publicly available documents, this study aimed to retain the richness of the views expressed and the arguments advanced by lobbyists. Considering the different argumentation strategies used by interest groups, this study distinguished four strategies. Arguments related to the increase in audit exemption thresholds were classified as conceptual arguments, self-referential arguments, both types, or no argumentation strategy at all (Gros & Worret, 2016; Hoffmann & Zülch, 2014). This study defined conceptually based argumentation as argumentation that is theory based and refers primarily to the notions linked to auditing issues and to technical issues concerning the topic under consideration. Interest groups that use such arguments base their reasoning on theoretical and conceptual soundness as well as the technical feasibility of the proposal. Respondents also refer to potential institutional and legal complications caused by the proposal if they seem to be in conflict (in the respondents' view) with the current government policies or already-existing regulations (Stenka & Taylor, 2010). In contrast, this study defined arguments as self-referential if they relate directly to the effects on the interest group. For instance, arguments stated by the audit profession are self-referential if the effects of the proposed changes to the audit profession are mentioned. Furthermore, this study captures the use of both arguments and the use of no arguments at all.

5.2. Arriving at concepts

An inductive analysis was conducted, in line with Gioia et al. (2013). The principal objective was to gain a holistic understanding of what was discussed and highlighted, but also

to ensure that all the important aspects of the data were captured. This approach was adopted because it is ideal for examining complex phenomena. The inductive analysis suggested by Gioia et al. (2013) has been used recently in many accounting and auditing studies (see, for instance, Daoust & Malsch, 2020).

In the first step, all the comment letters were read and notes were made on similarities and differences among the responses. Conclusions on the content analysis were drawn by identifying themes throughout the transcription of the data. According to Azungah (2018), inductive analysis refers to approaches that primarily use detailed readings of raw data to derive concepts, categories, and themes. In inductive analysis, although the results might be affected by the evaluation objectives or questions outlined by the researcher, the findings arise directly from the analysis of the raw data, not from prior expectations (Thomas, 2006). To conclude, the data was analyzed to discern similar meanings with the aim of identifying higher-level convergence and then generating first-order concepts, as suggested by Gioia et al. (2013). Following the establishment of the first-order categories, the next phase of the analysis involved identifying links among the first-order concepts to group them into second-order themes. Once a workable set of second-order themes and concepts was at hand, the final phase was to investigate whether it was possible to distil the emergent second-order themes even further into “aggregate dimensions” (Gioia et al., 2013). The aggregate dimensions represent the overarching themes obtained from the data analysis. These categories may stem from the analyst’s insights to explain concisely what is happening (Jonsen & Jehn, 2009).

6. Findings

The following section contains the findings. First, an overview of the lobbying participants is presented. Second, the results of the qualitative analysis of the comment letters are reported. The appropriate representative quotations are included in the paper to illustrate the arguments in opposition to or in favour of the increase in audit exemption thresholds. Moreover, the key arguments for and against the proposal are discussed relative to prior studies and the related literature. Further, the analysis reveals comment letters⁴ that did not comment directly on the issue. Finally, the latter part of the inductive analysis and the use of different argumentation strategies are discussed.

6.1. Overview of interest groups

Based on the function and the legal status of the respondents, it was possible to segregate the lobbyists into five different groups. The accounting and auditing profession includes Big 4 firms, mid-tier audit firms, recognized supervisory bodies, professional bodies, and individual auditors. The public authorities include national ministries, governmental institutions, and auditor oversight bodies. The users of the financial statements include institutional investors, financial analysts, unions, and shareholder organizations. The interest group of academics comprises researchers and individuals from academia.

⁴The respondents within this group did not comment directly on whether they supported or opposed the increase. These comment letters presented a solid discussion of the importance of a financial statement audit, emphasizing that audit exemption thresholds are political decisions made by governments and these decisions should be made with care.

Table 3. Summary of the lobbying participants.

	First round	Second round	Total
Accounting and auditing profession	13 (30.2%)	15 (34.9%)	28 (32.6%)
Public authorities	15 (34.9%)	12 (27.9%)	27 (31.4%)
Users	6 (13.9%)	2 (4.7%)	8 (9.3%)
Academia	2 (4.7%)	5 (11.6%)	7 (8.1%)
Others	7 (16.3%)	9 (20.9%)	16 (18.6%)
Total	43 (100.0%)	43 (100.0%)	86 (100.0%)

The interest group “others” includes respondents who could not be attributed to one of the other interest groups.

An overview of the participating interest groups (Table 3) shows that the most comment letters were submitted by the accounting and auditing profession (28 of 86 lobbying participants in the sample, or 32.6%). This finding is consistent with the prior literature. The high involvement of the accounting and auditing profession is reasonable because this group might have an informational advantage and be affected the most by future changes in audit regulation. Hence, it could be expected that they engage actively in the lobbying process. Based on the information asymmetry between the lobbying participants and the regulator, it is expected that, when expressing opposing views, lobbyists might explicitly want to reduce the information asymmetry and emphasize the unintended consequences of the proposed changes. Relatedly, it is argued that audit firms are lobbying because they want to improve financial reporting for altruistic reasons and it is in the best interest of the profession (Gipper et al., 2013). Audit professionals might have an informational advantage regarding the relevance and potential effects of the increased audit exemption thresholds. This study reveals that they exhibit opposing views. This observation is in line with Jorissen et al. (2006), who suggested that lobbying might reveal information related to future consequences.

Public authorities represent the second-highest participation rate. These are mostly national authorities and national auditor oversight bodies (27 of 86 lobbying participants in the sample, or 31.4%). This result might initially be unexpected because it is generally inconsistent with prior studies. However, Gros and Worret (2016) found that public authorities accounted for the third-highest participation rate in their study, and they suggested that the high involvement of public authorities might in fact be explainable. In the current case, the memorandum was sent purposely to different public authorities for a comment round and this might explain the participation. In addition, in the current study, public authorities might have extensive knowledge of national peculiarities related to audit exemption thresholds that they would like to highlight and emphasize in the comment letters. For instance, the tax authorities highlighted the interface between financial statements and taxation.

Comparatively low participation in the current lobbying case is exhibited by the users of the financial statements (eight of 86 lobbying participants in the sample, or 9.3%) and academics (seven of 86 lobbying participants, or 8.1%), and these findings are partly consistent with prior studies. For instance, Tandy and Wilburn (1996) stated that, despite the pleas for academics’ involvement in the standard-setting process, the accounting academic community appears to be uninvolved. The reasons for academics’ participation may include, for instance, the feeling of professional involvement and the contribution

Table 4. Most frequently used arguments against the increase in audit exemption thresholds ($n = 21$ for the first round; $n = 26$ for the second round).

	First round n (%)	Second round n (%)
• The reduction of administrative costs is not an appropriate reason for increasing thresholds.	18(86)	19(73)
• Auditing creates many positive externalities because audits increase the trust in financial information	12(57)	14(54)
• Respondents suggested alternatives to the statutory audit, for example an extended review.	9(43)	12(46)
• The audited financial statements are crucial for potential lenders and support the firm in obtaining outside financing.	13(62)	18(69)
• The performance of accountants and accounting firms is not regulated and monitored like the performance of auditors in Finland.	8(38)	12(45)
• The fears about reduced tax revenue, an increased grey economy, and economic crime are actual and evident. The respondents required an impact assessment of the increase in the thresholds.	18(86)	20(77)
• Because the regulatory changes to audit exemption in Sweden were not successful, Finland should not make the same mistakes.	14(67)	15(58)

to knowledge sharing. However, the incentives for academics to participate seem to be limited, and academics may think that the cost of participation, such as the time and effort involved in preparing a comment letter, is too high. From their perspective, the limited time available should be used for teaching and publishing research.

To conclude, the accounting and auditing profession is more involved in lobbying activities within the current lobbying case than the other interest groups, thus suggesting the presence of potential informational advantages and motives for reducing information asymmetry.

6.2. Most frequently used arguments against the proposal to increase audit exemption thresholds

Table 4 presents the framework for the most frequently used arguments against the proposal. The majority of the submissions (86% in the first round and 73% in the second round) argued that the case for limiting the requirement for small company audits appeared to be motivated solely by the desire to reduce cost burdens that are not defined precisely. Hence, the respondents were skeptical that the suggested cost savings would be significant. To illustrate this, the following quote is presented.

Auditing is not a statutory burden, so there is no need to lighten this requirement. The auditing of micro companies costs approximately €500–1 000 for one year, and in practice a firm will get very relevant and useful advice, which will help an entrepreneur or firm to avoid the pitfalls. This is a very small amount (for instance, when the turnover is €700 000, the audit fee is about 0.1% of the firm's turnover), and, with this amount, all users of financial statements and the entrepreneur him- or herself will get audited financial statements. (Comment Letter [CL] 69, recognized supervisory body)

The elements discussed above are in line with the observations made by Collis (2010) and Collis et al. (2004). For instance, Collis et al. (2004) suggested that firms considered the benefits of having their accounts audited to outweigh the costs. Relatedly, Collis

(2010) emphasized that, when analyzing small firms, the relative cost burden is not considered to be substantial. Hence, these findings from prior studies justify the concerns raised by most of the comment letters that the cost savings might not be crucial. In addition, 57% of comment letters in the first round (54% in the second round) stated that statutory audits create many positive benefits. Confidence and trust in smaller companies' performance were highly acknowledged because high-quality audits support financial stability. The comment letters highlighted the societal value of audits in the Finnish context and underlined that statutory audits are a useful safeguard to ensure the accuracy of financial information. Therefore, it can be interpreted that reliable accounting information is seen as a foundation pillar for Finnish business. The following quote illustrates this view.

The importance of auditing for the Finnish society is extremely clear. The size and structure of Finnish companies are such that, by exempting more companies, the financial information will not be assured and the quality of financial information will decline considerably. (CL69, recognized supervisory body)

The concerns associated with regulatory relaxation and a decrease in the quality of financial information have been emphasized in prior studies. For instance, Clatworthy and Peel (2013) argued that proposals to relax mandatory audit requirements may lead to a doubling of the accounting errors. Clatworthy and Peel (2013) and Dedman and Kausar (2012) stated that their findings should be of interest to policy makers who are considering exempting more firms from mandatory audits because statutory audits are valuable in terms of observable benefits (higher quality information). Hence, the arguments in the comment letters concerning possible declining financial information quality are justified according to the prior accounting literature.

Even though the comment letters clarified that mandatory auditing plays a critical role in advancing the public interest, the respondents recommended that small firms could benefit from simplified auditing requirements (43% of the comment letters in the first round and 46% in the second round). An extended review could mean an audit having a narrower scope than a full audit; this is usually confined to specific accounts or operations. The following quote refers to this suggestion.

According to our view, it would be appropriate to investigate the replacement of auditing for micro companies by a review conducted by an auditor. The memorandum mentions that there are also countries where there are two kind of thresholds, one for extended reviews and one for statutory auditing (i.e. Denmark, Estonia, and France). We think that these kinds of arrangements could also be implemented in Finland. (CL71, accounting and auditing profession, Big 4 firm)

The prior literature has highlighted the possibility that small firms could benefit from an extended review (Haapamäki, 2018), but prior studies have not extensively investigated the consequences of an extended review. Therefore, the suggestion of examining alternatives to statutory audits should be relevant and worthwhile investigating in the Finnish context, as the comment letters proposed.

Of the respondents, 62% (second round: 69%) suggested that there are benefits in having an auditor for the small firms themselves. Specifically, the comment letters emphasized that the audited financial statements of small firms are crucial for potential lenders and the audited accounts are vital to banks' lending decisions. Further concerns

and other thoughts associated with auditing profession were also raised. The following quotes highlight these issues.

Audited financial statements support the firm getting outside financing. In the traditional banking finance, the decision to get financing is received faster when the company has audited financial statements. In the newer financing models, like crowd financing, the role of the auditor is highlighted because of the investor protection. (CL65, recognized supervisory body)

The consequences of increasing the thresholds would be considerable for auditors who work in the provinces compared with auditors who work in Southern Finland. The increase of the audit exemption thresholds would affect the availability of auditing services or even result in a loss of services. If the majority of clients disappears, then the ground to exercise a profession and offer other services will also disappear. (CL84, accounting and auditing profession, mid-tier audit firm)

Prior research has highlighted the benefits from audited accounts. For instance, Hope et al. (2011) emphasized that audited accounts reduce the external financing constraints for small firms. Finland is a country of small businesses and therefore it can be suggested that the audited accounts play a significant role in the external funding process. Trade credit and loans from banks and other financial institutions are the most common source of external finance for Finnish small firms (Niemi & Sundgren, 2012).

In addition, prior studies have examined the concentration of audit markets. Regulators around the world are concerned about the potentially harmful effects of high audit market concentration on audit pricing and quality. Clacher et al. (2019) stated that a lack of competition will lead to potential conflicts and uncompetitive pricing. Bigus and Zimmermann (2008) found evidence that only a larger number of audit firms compete in the market segment of small client firms because the Big Four auditors dominate the listed firms' audit market. Hence, it could be possible that the loss of auditing services in Finland could lead to a high audit market concentration. Therefore, the interest groups' concerns emphasized in the comment letters have been recognized in the prior accounting literature. Furthermore, the comment letters acknowledged that a good accountant (bookkeeper) will always carry out a certain level of checks to ensure that the accounts are not misleading. However, unaudited accounts do not convey the same degree of assurance as audited accounts. This might be because the performance of accountants and accounting firms is not regulated and monitored like the performance of auditors in Finland. This was a particular concern in 38% (45%) of the comment letters. The respondents valued auditors as being independent, responsible for the work conducted, and under official supervision. For the public interest, these are unquestionably essential. The following quote is in line with the above argument.

When the current Finnish law does not have any competence requirements for accountants, anyone can keep the accounts without any qualifications or authorization. In these cases, the external auditor can be the only outside expert to evaluate the accuracy of accounting records and the financial position of the firm. The perception of possible mistakes in the accounting records requires expertise; therefore, the importance of an external auditor is emphasized. (CL7, public authority)

Finally, many of the respondents were concerned about the unintended consequences of increasing the thresholds and required more research on the previous change in the audit

exemption thresholds in Finland. The interest groups underlined fears related to reduced tax revenue and a grey economy. Hence, the comment letters emphasized that, because of the inadequate impact assessment, the drafting of a legislative proposal should not be continued. Interestingly, 67% (second round: 58%) of the comment letters stated that, because the regulatory changes to the audit exemption in Sweden were not successful, Finland should not make the same mistakes. The comment letters stated that, because the evidence from Sweden has highlighted an increased risk of accounting errors, tax evasion, and economic crime in particular, the audit exemption thresholds should not be increased in Finland. The following quotes support these arguments.

The current proposal does not contain a comprehensive impact assessment. The regulatory process should not be continued without a thorough and deep analysis of its impacts. It should be investigated what kind of expertise is required from the preparer of the financial statements and what has been the role of external auditors in the public interest. This is extremely important. The current proposal that underestimates the consequences of abandoning statutory audits is not suitable for legislative initiatives. (CL4, recognized supervisory body)

The Swedish report about the consequences of the increase of audit exemption thresholds has been ignored. The Swedish report suggests that the consequences were negative; for instance, the accounting offenses increased and the quality of financial statements decreased. This kind of results should be considered carefully when planning to increase the thresholds. (CL7, public authority)

The prior literature has highlighted that it is essential to improve and optimize the regulatory quality in the EU (Adelle & Weiland, 2012). Regulatory impact assessment is one of the most important tools to prepare new legislation and to review and reform the existing legislation (Kirkpatrick & Parker, 2008). Thus, the suggestions to conduct a comprehensive impact assessment before continuing the legislative proposal might be warranted.

When considering the negative consequences suggested and the role of the auditor in fraud prevention, it has been argued that auditors acknowledge a responsibility for detecting material fraud (Jeppesen, 2019). Hence, the auditor is able to obtain reasonable assurance that material misstatements are detected because of the nature of audit evidence. Prior studies have also emphasized that, in a high tax alignment setting, the quality of financial information plays an essential role because the tax returns are based on financial statements (Höglund & Sundvik, 2019). Moreover, prior studies have stressed the role of statutory audits in preventing the development of the grey economy by detecting and revealing financial crimes (Amara et al., 2020; Norton, 2018). Therefore, the interest groups' concerns associated with the negative consequences have been acknowledged in the literature.

6.3. Most frequently used arguments to support the proposal to increase audit exemption thresholds

Table 5 presents the most frequently used arguments supporting the increase. It was apparent from the comment letters that auditing should not be mandatory for all small companies: 50% of the comment letters in the first round and 50% in the second round suggested that the current thresholds are unusually low compared with those in other EU countries. Therefore, the comment letters emphasized that the harmonization

Table 5. Most frequently used arguments to support the increase in the audit exemption thresholds ($n = 10$ for the first round; $n = 10$ for the second round).

	First round n (%)	Second round n (%)
<ul style="list-style-type: none"> • The current audit exemption thresholds are too low compared with those in other EU countries. • Low audit exemption thresholds do not give small companies the opportunity to evaluate the costs and benefits of auditing. • Cost is one of the main reasons mentioned for eliminating the mandatory audit. The costs of the universal application of the requirement to have the accounts audited fall disproportionately on small companies. • The Finnish governmental trend should focus on removing administrative costs. • The statutory audit requirement for small companies is argued to be unnecessary protectionism. • Member States should release small companies from the statutory audit requirement if there is no specific justification to demand it. In Finland, these particular reasons do not exist. 	5(50) 5(50) 5(50) 5(50) 2(20) 3(30)	5(50) 5(50) 4(40) 4(40) 2(20) 3(30)

of the statutory audit requirement is desirable and that the thresholds could be increased because Finland should follow the guidelines for international auditing practices. The following quote describes this.

According to the Accounting Directive, the statutory auditing can be an administrative burden for small and micro companies and the EU countries should not require statutory auditing of these companies without cogent reasons. The suggested increase is in line with the EU Commission; therefore, it is difficult to justify the unusually low audit exemption thresholds in Finland compared to other Member States. (CL22, other)

To illustrate, the Accounting Directive was planned to ensure that the EU policies and actions are small business friendly (European Commission, 2014). Relatedly, Tabone and Baldacchino (2003) underlined that extra bureaucracy for small companies should be avoided. The above statements from comment letters are principally in line with the EU policies, therefore, the proposal was endorsed in the consultation processes.

Similarly, 50% (second round: 50%) of the respondents supported the argument that low audit exemption thresholds do not give small companies the opportunity to evaluate the costs and benefits of auditing by themselves. The decision to hire an auditor should be a voluntary decision and not forced by law. The respondents also suggested that small firms require fewer rules, more flexibility, and freedom in their decision-making. Furthermore, the audit fees are one of the main reasons mentioned in opposition to mandatory auditing for smaller companies. The following quotes support these views.

If the company has a narrow ownership base and it doesn't need external financing, it is reasonable to assume that it might not need statutory auditing under these circumstances. Therefore, a micro company should have the opportunity to decide whether it uses an auditor by itself. (CL56, other)

According to our view, the proposed increase improves companies' freedom to decide for their own businesses in a way that is suitable for them ... Furthermore, releasing companies from this requirement would lighten the administrative burden and would bring cost savings. (CL27, public authority)

Prior studies have suggested that the mandatory auditing of small companies is complex because small companies exist in an environment in which stakeholders tend to be closer to the company and are able to request extra information directly (Hope et al., 2012). Tabone and Baldacchino (2003) concluded that owner-managers of small companies express the wish to reduce business compliance costs; in particular, the audit fee was suggested as a costly overhead. At the same time, Tabone and Baldacchino's (2003) results revealed that owner-managers acknowledge that a statutory audit requirement is justifiable on the grounds of safeguarding societal interests. Hence, the above arguments from the comment letters can be rationalized according to the prior accounting literature. However, the prior studies did not provide a clear consensus on this matter; for instance, Lennox and Pittman (2011) emphasized that research cannot provide policy makers with a definitive answer to the question of whether audits should be voluntary or mandatory because companies focus on their own private costs and benefits when considering whether to pay for an audit.

Finally, 50% (second round: 40%) of the submissions clarified that the current governmental trend in Finland should focus on removing the norms and excessive demands. The statutory audit requirement was suggested to be unnecessary protectionism that affects smaller firms' competitiveness in international markets. The respondents highlighted that, according to the Accounting Directive, Member States should release small companies from the statutory audit requirement if there is no specific justification to demand it, that is, special circumstances or the needs of companies or users of financial information. Of the respondents, 30% (second round: 30%) suggested that, in Finland, these particular reasons do not exist. For these reasons, the respondents stated that the proposed increase in audit exemption thresholds is supported. The following quotes refer to the arguments presented above.

The suggested increase in audit exemption thresholds does not affect the grey economy. It is not reasonable to require all small companies to pay the audit fees annually on the grounds of preventing financial crime a little. It should also be highlighted that an auditor is not an inspector of taxes nor an inspector of financial offenses but an actor who carries out the control function. (CL22, other)

The statutory auditing proceedings are based on the International Standards on Auditing, which are directed to large companies. These procedures also include actions that are not necessary for smaller companies. (CL34, other)

According to the statistics of the Finnish Tax Administration, it can cautiously be suggested that tax evasion exists in Finland and can be considered as a complex problem (Finnish Tax Administration, 2020). Hence, the comment letters might underestimate the level of the grey economy and the consequences associated with it. Therefore, it might be controversial to suggest that the increase in the audit exemption does not affect the grey economy.

However, it has been emphasized that there is no need for a small entity to follow the same standards as a large company (Tabone & Baldacchino, 2003). The current International Standards on Auditing (ISAs) have become quite complex for the needs of smaller entities because audit regulators and standard setters focus on protecting capital markets. It has been argued that ISAs have moved further away from the long-desired "think small first" approach. For instance, the auditor designs and implements

appropriate audit procedures to mitigate the risks related to material misstatements. The risk analysis when applying ISAs is very demanding and does not necessarily result in the efficient detection of the real risks in a non-complex environment (Accountancy Europe, 2018). Hence, the arguments related to the simplified regulatory procedures are justified.

6.4. Results of inductive analysis

The inductive analysis consisted of three stages. Firstly, similar arguments supporting and opposing the proposal were identified by examining their frequency in the comment letters. This stage of the analysis revealed the first-order concepts. A detailed examination of the comment letters during both consultation rounds suggests that the interest groups did not change their views. For instance, if the interest group was against the increase in the first round, it was also against the proposal during the second consultation round, and vice versa. The results also revealed that similar key arguments were used for and against the proposal during both consultation rounds. This finding might indicate that the interest groups were relatively convinced of their perspective on the regulatory proposal. This observation shows that the interest groups considered the lobbying an intense communication process (Koepl, 2000). Hence, this finding relates to the role of lobbyists: they might act as information transmitters to regulators (Gros & Worret, 2016); however, they might seek to influence the regulatory outcome by providing convincing reasoning, presenting it so that the regulator will be receptive. Furthermore, the use of similar key arguments during both consultation rounds could be linked to the use of argumentation strategies, and the results associated with lobbying strategies are discussed comprehensively in Section 5.5. Secondly, the key arguments for and against the proposal (named first-order concepts) are the starting point for the second-order concepts. In this second-order analysis, the aim was to investigate whether the emerging themes suggested concepts that might help to describe and explain the phenomena under examination using fewer conceptual taxonomies. The results of the second-order analysis yielded five categories that indicate different considerations of the argument discussions related to the audit exemption thresholds. The analysis revealed that there are three second-order themes for opposing arguments: i) the societal importance of auditing is valued, ii) regulatory change is not justified by expedience, and iii) there are unintended consequences of increasing the audit exemption threshold. For arguments that supported the increase in audit exemption thresholds, the analysis identified two second-order concepts: i) the current low thresholds are over-regulated and ii) there should be freedom of choice for smaller companies.

After finalizing the second-order themes, this study investigated their underlying dimensions to understand how the various themes interacted with and related to one another within a broader context. To conclude, Table 6 presents the full set of first-order concepts, second-order themes, and aggregate dimensions. This process has been suggested to formulate the data structure, and it has been indicated as a pivotal step in the entire research approach (Gioia et al., 2013). The data structure allows the data to be configured into a sensible visual aid while providing a graphic presentation on how the concepts progressed from raw data to terms and themes. In the final stage of the inductive analysis process, those five major second-order themes were finally assembled into aggregate dimensions. The aggregate dimensions establish the umbrella

concepts that describe the phenomenon. Hence, the analysis revealed two main dimensions that are related to audit exemption thresholds. The first dimension is the socio-economic benefits of auditing, which is the aggregate dimension for opposing the increase. This finding indicates that the opposing reasoning emphasizes the accuracy of financial information of small companies as a social priority compared with the need to reduce the regulatory burden for small firms. However, the second aggregate dimension is harmonization with international (EU) trends, which is the dimension for supporting the increase. This finding indicates that the supporting reasoning emphasizes that Finnish small firms should not have stricter rules than their international counterparts.

To conclude, the role of these second-order and aggregate dimensions is notable because they help to understand the wider picture behind the discussion related to the increase in audit exemption thresholds. In other words, the aggregate dimensions present a simplified view of the different arguments supporting and opposing the suggested increase. Furthermore, they help to comprehend the lobbying arena in the context of reducing auditing obligations for SMEs. For instance, in EU countries, raising the thresholds to meet the EU harmonization objectives might be a challenging goal to achieve because the societal purpose of the statutory audit requirement varies among the Member States. This discussion leads to the question of whether it is even possible to harmonize the statutory audit requirements across the EU. Privately held firms are particularly significant players in the European economy, and the role of auditing seems to differ across EU countries (Downing & Langli, 2019). For instance, the wide divergence of audit exemption thresholds among EU countries may reflect different countries' historical experiences and views of stakeholders' needs (Federation of European Accounts [FEE], 2016).

6.5. Lobbying strategies

This study also investigated the lobbying behaviour and Table 7 presents the distribution of lobbyists' argumentation strategies. As Panel C in Table 7 suggests, conceptually based arguments were deployed in 19 responses (22.4% of all the analyzed comment letters), self-referential arguments were used in six responses (7.1%), and, surprisingly, both arguments were used in 39 comment letters (45.9%) and no arguments at all were used in 21 comment letters (24.7%). Hence, these findings suggest that the most commonly deployed strategy of argumentation was the use of both conceptual and self-referential arguments. The findings are partly consistent with the prior studies, many of which have found that lobbyists used conceptually based arguments most frequently (Giner & Arce, 2012; Gros & Worret, 2016; Reuter & Messner, 2015). For instance, Gros and Worret (2016) indicated in particular that the use of conceptually based arguments seems to be crucial to interest groups because they found such arguments in 83.8%⁵ of all the answers that they analyzed. In this study, the conceptual arguments covered 68.3%⁶ of all the comment letters. This finding supports the prior studies, revealing that conceptual arguments are more important than self-referential arguments in the

⁵Conceptually based strategy and both strategies: 45.9% + 37.9%.

⁶Conceptually based strategy and both strategies: 22.4% + 45.9%.

Table 6. Data structure.

First-order concepts	Second-order concepts	Aggregate dimensions
<p><i>Opposing arguments</i></p> <ul style="list-style-type: none"> • Auditing creates many positive externalities because audits increase the trust in information and therefore the thresholds should not be increased. • Accurate financial statements and auditing play a critical role in advancing the public interest. • Companies receive economic benefits from transparent financial reporting and from having their financial statements audited. The audited financial statements are crucial for potential lenders and support the firm in obtaining outside financing. • The performance of accountants and accounting firms is not regulated and monitored like the performance of auditors in Finland. • There is skepticism regarding whether the cost savings are as significant as they are argued to be. • The administrative cost is not an appropriate reason for increasing the audit exemption thresholds. • The respondents require more research and an impact assessment of the increase in the thresholds. More research is also required on the previous change in audit exemption thresholds in Finland that came into effect in 2007. • The fears about reduced tax revenue, an increased grey economy, and economic crime are actual and evident. • Because the regulatory changes to audit exemption in Sweden were not successful, Finland should not make the same mistakes. 	<p>Societal importance of auditing is valued</p> <p>Regulatory change is not justified by expedience</p> <p>Concern related to unintended consequences of increasing the audit exemption thresholds</p>	<p>Socio-economic benefits of auditing</p>
<p><i>Supporting arguments</i></p> <ul style="list-style-type: none"> • The current audit exemption thresholds are too low compared with those in other EU countries. • According to the Accounting Directive, Member States should release small companies from the statutory audit requirement if there is no specific justification to demand it. • The Finnish governmental trend should focus on removing administrative costs. • The statutory audit requirement for small companies is argued to be unnecessary protectionism. • Low audit exemption thresholds do not give small companies the opportunity to evaluate the costs and benefits of auditing themselves. • Cost is one of the main reasons mentioned for eliminating the mandatory audit. The costs of the universal application of the requirement to have the accounts audited fall disproportionately on small companies, particularly if the accounts are of little use. 	<p>The current thresholds are over-regulated</p> <p>Freedom of choice</p>	<p>Harmonization with international trends</p>

lobbying process of audit exemption thresholds. The use of conceptual arguments is perceived as convincing reasoning, which might be more likely to persuade the regulator. Relatedly, this finding supports the study conducted by Manson and Zaman (1999),

Table 7. Lobbying strategies (number of comment letters/percentage).

	Conceptual	Self-referential	Both	None	Total
<i>Panel A: Argumentation during the first round</i>					
Opposing	3 (14.3%)	1 (4.8%)	16 (76.2%)	1 (4.8%)	21 (100.0%)
Supporting	2 (20.0%)	1 (10.0%)	2 (20.0%)	5 (50.0%)	10 (100.0%)
Neutral	3 (27.3%)	0 (0.00%)	0 (0.00%)	8 (72.7%)	11 (100.0%)
Total	8 (19.0%)	2 (4.8%)	18 (42.9%)	14 (33.3%)	42 (100.0%)
<i>Panel B: Argumentation during the second round</i>					
Opposing	8 (30.7%)	2 (7.7%)	16 (61.5%)	0 (0.00%)	26 (100.0%)
Supporting	2 (20.0%)	1 (10.0%)	5 (50.0%)	2 (20.0%)	10 (100.0%)
Neutral	1 (14.3%)	1 (14.3%)	0 (0.00%)	5 (71.4%)	7 (100.0%)
Total	11 (25.6%)	4 (9.3%)	21 (48.8%)	7 (16.3%)	43 (100.0%)
<i>Panel C: Argumentation during both rounds</i>					
Opposing	11 (23.4%)	3 (6.4%)	32 (68.1%)	1 (2.1%)	47 (100.0%)
Supporting	4 (20.0%)	2 (10.0%)	7 (35.5%)	7 (35.0%)	20 (100.0%)
Neutral	4 (22.2%)	1 (5.6%)	0 (0.00%)	13 (72.2%)	18 (100.0%)
Total	19 (22.4%)	6 (7.1%)	39 (45.9%)	21 (24.7%)	85 (100.0%)

which suggested that audit professionals are expected to comment in an enlightened way in their submission. For instance, Manson and Zaman (1999) emphasized that auditing professionals may have been attempting to highlight their concerns about societal interests in the comment letters. In the case of academia, it seems natural for this interest group to deploy mainly conceptually based arguments (Gros & Worret, 2016) because the use of only self-referential arguments would conflict with the image of professionalism and objectivity favoured by the academic profession. Interestingly, the results of the current study reveal that a relatively high number of comment letters (24.7%) did not provide any arguments at all during both consultation rounds. The use of no argument is controversial because usually an agreement with or objection to a proposal without further explanations or reasoning is not likely to have a great influence on the regulator (Gros & Worret, 2016). However, this finding is consistent with Reuter and Messner's (2015) study, which suggested that providing no argument at all is fairly common, with almost one-third of comment letters following this approach in their study. Finally, the results of this study indicate that the use of only self-referential argumentation was unusual and infrequent. The low rate of only self-referential arguments (7.5%) was potentially due to the expectation that the rule-making body is not convinced by the strategy, which only comprises the description of the potential effects of the proposed regulation on the respective interest group. To summarize, the findings suggest that there is not a single predominant strategy of argumentation. Instead, the use of both arguments is the preferred strategy of the lobbyists in the current study. Finally, in total 75.4%⁷ of all the authors of comment letters chose to justify their position. Consistent with the accounting literature, it can be assumed that respondents believe that justifying their position is more effective in persuading the Finnish regulators than not providing a justification. The findings indicate that the interest groups might think that their lobbying is more powerful and influential if they present self-referential and conceptual arguments jointly to comment on the regulatory proposal about audit exemption thresholds in a balanced way.

Summarizing the analysis of the argumentation strategies, this study concludes that interest groups inform the rule-making body by exploiting their expertise. In other

⁷22.4% + 7.1% + 45.9%.

words, this can be described as informational lobbying and it can be defined as the use by interest groups of their professional knowledge on matters of importance for policy makers in an attempt to persuade them to implement particular policies. This type of lobbying is often regarded as an important means of influence. Particularly in the Finnish case, the interest groups were acting as a transmitter of information for the Ministry of Economic Affairs and Employment by providing meaningful information associated with the suggested increase in the audit exemption thresholds. By providing relevant information, the lobbyists could improve the regulatory outcome and minimize the possible negative consequences of the regulatory change.

Finally, this study attaches a signalling function to interest groups' use of both argumentation strategies. A combination of the two types of arguments employed by interest groups may well demonstrate credible expertise and be appreciated by the regulator for supplying a variety of arguments available for use (Hoffmann & Zülch, 2014). Hence, the use of conceptual arguments demonstrates sophisticated technical expertise to the regulator and the use of self-referential arguments highlights the consequences. These observations are in line with Königsgruber's (2013) view that an important aspect of lobbying is the transmission of credible information. Especially in a technical area such as auditing regulation, it might be reasonable to expect political actors to be more dependent on information input from lobbyists. Hence, the interest groups might have incentives to maximize social welfare under incomplete information, and therefore, the rule-making body is viewed as an informed actor.

6.6. Discussing the role and importance of the comment letters in the regulatory process in Finland

Inviting relevant parties to write comment letters is an important way to enable voices to be heard on regulations that can have a large impact (Hansen, 2011). The majority of the comment letters during both submission rounds were relatively clearly against the increase in the audit exemption thresholds in the current Finnish case. This finding indicates that the reliability of financial statements plays an important role in the Finnish society. Hence, because of the significant concerns raised in the opposing comment letters, the Finnish Government decided not to continue with the reform to increase the audit exemption thresholds. The arguments against increasing the thresholds were so significant and comprehensive during both rounds that the reform could not be continued as such (Finnish Ministry of Economic Affairs and Employment, 2018b). Hence, it can be suggested that the lobbying opponents might have had a dominant effect. This could be due to the particular emphasis of possible societal consequences. The findings indicated that the opponents objected to the increase because considerable reliance is placed on the audited accounts of small firms in maintaining societal functionality, meaning that trust and accuracy are vital for financial reporting quality in the Finnish culture, and policy makers should not take this to be self-evident. The information filed by the Finnish private companies is potentially important. This observation is supported by the public interest theory. Prior studies have emphasized the important role of statutory auditing to protect the public interest (Baker et al., 2014).

However, it was discovered that the current statutory audit requirement is not optimal either because it has been suggested to be too heavy and overdimensioned for small

companies. The comment letters highlighted that the lighter versions of auditing could be a possible solution to decrease the administrative burden. Therefore, the Finnish Ministry of Economic Affairs and Employment formed a working group to investigate the adoption of extended reviews for micro and small companies. Thus, it can be suggested that comment letters matter in the Finnish case and that they play an important role in the audit exemption regulatory process.

7. Conclusions

Lobbying plays an essential role in the process of accounting and auditing rule making (Arafat et al., 2020; Gros & Worret, 2016). Hence, this study examined lobbying strategies and comment letters concerning the proposal of increasing the audit exemption thresholds in Finland. By focusing on a wide range of arguments related to the proposal, the results contribute to the lobbying and audit exemption literature by updating and extending the previous policy-based discussion about reducing the accounting and auditing obligations for small companies in Finland and Europe. Most of the comment letters did not support the suggested regulatory change. The comment letters that were opposed to the increase stated that statutory audits for smaller companies create positive externalities because of their incremental contribution to the strength of the information environment in which the small companies operate. Furthermore, the societal value of auditing in the Finnish context was emphasized because the opposing comment letters clarified that accurate financial statements and auditing play a critical role in advancing the public interest and the suggested cost savings are debatable. Furthermore, the lobbyists were concerned about the possible negative consequences. Thus, this study supports Jorissen et al.'s (2006) conclusion that lobbying might reveal information on the potential costs of future consequences related to the regulatory change. In addition, this study supports Clatworthy and Peel's (2013) suggestion that policymakers should carefully consider the consequences when increasing audit exemption thresholds.

The comment letters supporting the increase can be cautiously interpreted as indicating that, because other EU countries have relatively high audit exemption thresholds, Finland should also follow this international trend. The comment letters stated that there is no need to have stricter regulation than other countries. In addition, the comment letters that supported the increase suggested that the current governmental trend in Finland should focus on removing the norms. Hence, freedom of choice for smaller companies was underlined and administrative burden should be minimized.

To summarize, the inductive analysis revealed two aggregate dimensions that are related to audit exemption thresholds. The first dimension is the socio-economic benefits of auditing, which is the main dimension for opposing the increase. The second aggregate dimension is harmonization with international trends, which is the key dimension for supporting the increase. The role of these dimensions is significant because they present the wider picture behind the political discussion that is related to the increase in the audit exemption thresholds. To conclude, the opposing reasoning suggests that the benefits provided by statutory auditing for the societal perspective is seen as a priority compared with the need for reducing the regulatory burden for small firms.

Furthermore, this study investigated the behaviour of interest groups and the lobbying strategies that were deployed. Hence, it also contributes to the lobbying strategies literature because there have been no attempts so far to study lobbying in the case of audit exemption thresholds. The findings suggest that the most commonly deployed strategy of argumentation is the use of both conceptual and self-referential arguments. These findings indicate that the interest groups might think that their lobbying is more powerful and influential if they present self-referential and conceptual arguments jointly to comment neutrally and in a balanced way on the proposal to increase the thresholds.

To conclude, it is not an easy task to achieve consensus on audit exemption thresholds for smaller companies because the audit exemption programmes might have negative unintended consequences. Hence, this study suggests that more scientific research is clearly needed. Many arguments made for or against the increase need more empirical evidence. For instance, the analysis revealed that the previous change in audit exemption thresholds in Finland should be examined more carefully. The comment letters indicated that more research should be conducted to find alternatives—for instance, a different kind of assurance for small firms. Therefore, future studies should examine in more detail the special role of small firms and other assurance services. This study is subject to the following limitations. The study relies on a qualitative analysis of regulatory structures related to audit exemption, and it is based on a review and analysis of publicly available documents. As such, it has similar limitations to other qualitative studies. In addition, the study focuses on one country, and thus the generalization of the findings must be approached with caution.

Further information

The earlier version of this study is included in Elina Haapamäki's dissertation thesis completed at the University of Vaasa.

Acknowledgements

The Author acknowledges the insightful comments of the editor and two referees of the journal, which have led to substantial improvements in the paper. The Author appreciates the helpful suggestions on earlier draft provided by participants of 14th Workshop on European Financial Reporting (EUFIN 2018) held in Stockholm, Sweden. The Author gratefully acknowledges the financial support received from the Finnish Cultural Foundation, the Foundation for Economic Education, the Evald and Hilda Nissi Foundation, and the Nordea Bank Foundation.

Disclosure statement

No potential conflict of interest was reported by the author(s).

References

- Accountancy Europe. (2018). *Simplifying auditing standards for small or non-complex entities*. https://www.accountancyeurope.eu/wp-content/uploads/180412_Publication_Simplifying-auditing-standards-for-small-or-non-complex-entities-Exploring-possible-solutions-1.pdf.

- Accountancy Europe. (2019). *Audit exemption thresholds in Europe*. https://www.accountancyeurope.eu/wp-content/uploads/181114_Audit-exemption-thresholds-in-Europe_2019_survey-update-version.pdf.
- Adelle, C., & Weiland, S. (2012). Policy assessment: The state of the art. *Impact Assessment and Project Appraisal*, 30(1), 25–33. <https://doi.org/10.1080/14615517.2012.663256>
- Amara, I., Khlif, H., & El Ammar, A. (2020). Strength of auditing and reporting standards, corruption and money laundering: A cross-country investigation. *Managerial Auditing Journal*, 35(9), 1243–1259. <https://doi.org/10.1108/MAJ-10-2018-2026>
- Ang, N., Gallery, N., & Sidhu, B. K. (2000). The incentives of Australian public companies lobbying against proposed superannuation accounting standards. *Abacus*, 36(1), 40–70. <https://doi.org/10.1111/1467-6281.00053>
- Arafat, I., Dunne, Y., & Ahmed, A. H. (2020). Splitting accountability hairs: Anomalies in the adaptation of IFRS for SMEs in the UK and Ireland. *Accounting in Europe*, 17(2), 183–203. <https://doi.org/10.1080/17449480.2020.1764601>
- Azungah, T. (2018). Qualitative research: Deductive and inductive approaches to data analysis. *Qualitative Research Journal*, 18(4), 383–400. <https://doi.org/10.1108/QRJ-D-18-00035>
- Baker, C. R., Bedard, J., & Prat dit Hauret, C. (2014). The regulation of statutory auditing: An institutional theory approach. *Managerial Auditing Journal*, 29(5), 371–394. <https://doi.org/10.1108/MAJ-09-2013-0931>
- Bigus, J., & Zimmermann, R.-C. (2008). Non-audit fees, market leaders and concentration in the German audit market: A descriptive analysis. *International Journal of Auditing*, 12(3), 159–179. <https://doi.org/10.1111/j.1099-1123.2008.00378.x>
- Clacher, I., Duboisée de Ricquebourg, A., & May, A. (2019). Who gets all the PIE? Regulation of the statutory audit for private UK companies. *Accounting, Auditing & Accountability Journal*, 32(5), 1297–1324. <https://doi.org/10.1108/AAAJ-12-2015-2341>
- Clatworthy, M. A., & Peel, M. J. (2013). The impact of voluntary audit and governance characteristics on accounting errors in private companies. *Journal of Accounting and Public Policy*, 32(3), 1–25. <https://doi.org/10.1016/j.jaccpubpol.2013.02.005>
- Collis, J. (2010). Audit exemption and the demand for voluntary audit: A comparative study of the UK and Denmark. *International Journal of Auditing*, 14(2), 211–231. <https://doi.org/10.1111/j.1099-1123.2010.00415.x>
- Collis, J., Jarvis, R., & Skerratt, L. (2004). The demand for the audit in small companies in the UK. *Accounting and Business Research*, 34(2), 87–100. <https://doi.org/10.1080/00014788.2004.9729955>
- Daoust, L., & Malsch, B. (2020). When the client is a former auditor: Auditees' expert knowledge and social capital as threats to staff auditors' operational independence. *Contemporary Accounting Research*, 37(3), 1333–1369. <https://doi.org/10.1111/1911-3846.12582>
- Dedman, E., & Kausar, A. (2012). The impact of voluntary audit on credit ratings: Evidence from UK private firms. *Accounting and Business Research*, 42(4), 397–418. <https://doi.org/10.1080/00014788.2012.653761>
- den Hertog, J. (1999). General theories of regulation in Encyclopaedia of Law and Economics, Volume 3: The Regulation of Contracts Eds B Bouckaert, G De Geest (Edward Elgar, Cheltenham).
- Downing, J., & Langli, J. C. (2019). Audit exemptions and compliance with tax and accounting regulations. *Accounting and Business Research*, 49(1), 28–67. <https://doi.org/10.1080/00014788.2018.1442707>
- European Commission. (2010). *Green paper – Audit policy: Lessons from the crisis*. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52010DC0561>.
- European Commission. (2014). *Cutting red tape in Europe: Final report*. https://ec.europa.eu/info/sites/info/files/final-report-of-the-high-level-group_july2014_en.pdf.
- European Commission. (2018). *2018 SBA fact sheet*. <https://ec.europa.eu/docsroom/documents/32581/attachments/10/translations/en/renditions/native>.

- Federation of European Accountants (FEE). (2016). *Audit exemption thresholds in Europe*. https://www.accountancyeurope.eu/wp-content/uploads/1605_Audit_exemption_thresholds_update.pdf.
- Finnish Ministry of Economic Affairs and Employment. (2010). *Selvitys yrityksille aiheutuvista hallinnollisista kustannuksista*. <https://tem.fi/documents/1410877/2395713/Selvitys-yrityksille-aiheutuvista-hallinnollisista-kustannuksista-Taloushallinnon-raportointi.pdf/aeFebc2c-d110-4165-82f6-7e0c11cbb479/Selvitys-yrityksille-aiheutuvista-hallinnollisista-kustannuksista-Taloushallinnon-raportointi.pdf>.
- Finnish Ministry of Economic Affairs and Employment. (2018a). *Working group's memorandum on certain legal provisions of the Auditing Act and lightening of the administrative burden*. https://api.hankeikkuna.fi/asiakirjat/8577f33f-b153-4abc-931b-f54a00de8e57/9fb6067a-fbec-452b-a279-2fb88106ebac/RAPORTTI_20180118080000.PDF.
- Finnish Ministry of Economic Affairs and Employment. (2018b). *Työryhmä valmistelemaan kevyempää tarkastusta pienille yrityksille tilintarkastuksen sijaan*. https://tem.fi/artikkeli/-/asset_publisher/tyoryhma-valmistelemaan-kevyempaa-tarkastusta-pienille-yrityksille-tilintarkastuksen-sijaan.
- Finnish Tax Administration. (2020). *Fact sheet*. <https://www.vero.fi/en/gray-economy-crime/prevention/taxation/>.
- Giner, B., & Arce, M. (2012). Lobbying on accounting standards: Evidence from IFRS 2 on share-based payments. *European Accounting Review*, 21(4), 655–691. <https://doi.org/10.1080/09638180.2012.701796>
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational Research Methods*, 16(1), 15–31. <https://doi.org/10.1177/1094428112452151>
- Gipper, B., Lombardi, B. J., & Skinner, D. J. (2013). The politics of accounting standard-setting: A review of empirical research. *Australian Journal of Management*, 38(3), 523–551. <https://doi.org/10.1177/0312896213510713>
- Government of Finland. (2015). *The Finnish Auditing Act (1141/2015)*.
- Government of Finland. (2016). *The Finnish Accounting Act (1620/2016)*.
- Gros, M., & Worret, D. (2016). Lobbying and audit regulation in the EU. *Accounting in Europe*, 13(3), 381–403. <https://doi.org/10.1080/17449480.2016.1255343>
- Haapamäki, E. (2018). Voluntary auditing: A synthesis of the literature. *Accounting in Europe*, 15(1), 81–104. <https://doi.org/10.1080/17449480.2018.1430369>
- Hansen, T. B. (2011). Lobbying of the IASB: An empirical investigation. *Journal of International Accounting Research*, 10(2), 57–75. <https://doi.org/10.2308/jiar-10078>
- Hoffmann, S., & Zülch, H. (2014). Lobbying on accounting standard setting in the parliamentary environment of Germany. *Critical Perspectives on Accounting*, 25(8), 709–723. <https://doi.org/10.1016/j.cpa.2014.04.003>
- Hope, O.-K., Langli, J. C., & Thomas, W. B. (2012). Agency conflicts and auditing in private firms. *Accounting, Organizations and Society*, 37(7), 500–517. <https://doi.org/10.1016/j.aos.2012.06.002>
- Hope, O.-K., Thomas, W. B., & Vyas, D. (2011). Financial credibility, ownership, and financing constraints in private firms. *Journal of International Business Studies*, 42(7), 935–957. <https://doi.org/10.1057/jibs.2011.23>
- Höglund, H., & Sundvik, D. (2019). Do auditors constrain intertemporal income shifting in private companies? *Accounting and Business Research*, 49(3), 245–270. <https://doi.org/10.1080/00014788.2018.1490166>
- Jeppesen, K. K. (2019). The role of auditing in the fight against corruption. *British Accounting Review*, 51(5), 1–11. <https://doi.org/10.1016/j.bar.2018.06.001>
- Jonsen, K., & Jehn, K. A. (2009). Using triangulation to validate themes in qualitative studies. *Qualitative Research in Organizations and Management: An International Journal*, 4(2), 123–150. <https://doi.org/10.1108/17465640910978391>
- Jorissen, A., Lybaert, N., & Van de Poel, K. (2006). Lobbying towards a global standard setter: Do national characteristics matter? An analysis of the comment letters written to the IASB. In G. N.

- Gregoriou & M. Gaber (Eds.), *International accounting: Standards, regulations, and financial reporting* (pp. 1–39). Elsevier.
- Karjalainen, J. (2011). Audit quality and cost of debt capital for private firms: Evidence from Finland. *International Journal of Auditing*, 15(1), 88–108. <https://doi.org/10.1111/j.1099-1123.2010.00424.x>
- Kirkpatrick, C., & Parker, D. (2008). *Regulatory impact assessment: Towards better regulation?* Edward Elgar.
- Koepl, P. (2000). The acceptance, relevance and dominance of lobbying the EU Commission: A survey of the EU Commission's civil servants. *Journal of Public Affairs*, 1(1), 69–80. <https://doi.org/10.1002/pa.51>
- Königsgruber, R. (2013). Expertise-based lobbying and accounting regulation. *Journal of Management and Governance*, 17(4), 1009–1025. <https://doi.org/10.1007/s10997-012-9210-0>
- Laffont, J.-J. (1999). Political economy, information and incentives. *European Economic Review*, 43 (4–6), 649–669. [https://doi.org/10.1016/S0014-2921\(98\)00130-5](https://doi.org/10.1016/S0014-2921(98)00130-5)
- Laffont, J.-J., & Martimort, D. (2009). *The theory of incentives: The principal–agent model*. Princeton University Press.
- LaPorta, R., Lopez-De-Silanes, F., Shleifer, F. A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106(6), 1113–1155. <https://doi.org/10.1086/250042>
- Larson, R. K. (2008). An examination of comment letters submitted to the IASC: Special purpose entities. *Research in Accounting Regulation*, 20, 27–47. [https://doi.org/10.1016/S1052-0457\(07\)00202-0](https://doi.org/10.1016/S1052-0457(07)00202-0)
- Lennox, C., & Pittman, J. (2011). Voluntary audits versus mandatory audits. *Accounting Review*, 86 (5), 1655–1678. <https://doi.org/10.2308/accr-10098>
- Manson, S., & Zaman, M. (1999). Lobbying the auditing practices board: Analysis of responses to the expanded audit report. *Accounting Forum*, 23(1), 11–34. <https://doi.org/10.1111/1467-6303.00003>
- Minnis, M., & Shroff, N. (2017). Why regulate private firm disclosure and auditing? *Accounting and Business Research*, 47(5), 473–502. <https://doi.org/10.1080/00014788.2017.1303962>
- Niemi, L., Kinnunen, J., Ojala, H., & Troberg, P. (2012). Drivers of voluntary audit in Finland: To be or not to be audited? *Accounting and Business Research*, 42(2), 169–196. <https://doi.org/10.1080/00014788.2012.653742>
- Niemi, L., & Sundgren, S. (2012). Are modified audit opinions related to the availability of credit? Evidence from Finnish SMEs. *European Accounting Review*, 21(4), 767–796. <https://doi.org/10.1080/09638180.2012.671465>
- Niskanen, M., Karjalainen, J., & Niskanen, J. (2011). Demand for audit quality in private firms: Evidence on ownership effects. *International Journal of Auditing*, 15(1), 43–65. <https://doi.org/10.1111/j.1099-1123.2010.00422.x>
- Norton, S. D. (2018). Suspicion of money laundering reporting obligations: Auditor compliance, or skeptical failure to engage? *Critical Perspectives on Accounting*, 50, 56–66. <https://doi.org/10.1016/j.cpa.2017.09.003>
- Ojala, H., Collis, J., Kinnunen, J., Niemi, L., & Troberg, P. (2016). The demand for voluntary audit in micro-companies: Evidence from Finland. *International Journal of Auditing*, 20(3), 267–277. <https://doi.org/10.1111/ijau.12070>
- Posner, R. A. (1974). Theories of economic regulation. *Bell Journal of Economics*, 5(2), 335–358. <https://doi.org/10.2307/3003113>
- Reuter, M., & Messner, M. (2015). Lobbying on the integrated reporting framework. An analysis of comment letters to the 2011 discussion paper of the IIRC. *Accounting, Auditing & Accountability Journal*, 28(3), 365–402. <https://doi.org/10.1108/AAAJ-03-2013-1289>
- Rey, A., Maglio, R., & Rapone, V. (2020). Lobbying during IASB and FASB convergence due processes: Evidence from the IFRS 16 project on leases. *Journal of International Accounting, Auditing and Taxation*, 41, 100348. <https://doi.org/10.1016/j.intaccaudtax.2020.100348>
- Small and Medium Entrepreneurs of the European People's Party (SMEs of the EPP). (2019). *Position paper on primary targets for small & medium-sized enterprises*. <http://www.smeeurope.eu/wp-content/uploads/2020/04/SME-Europe-Online-version.pdf>.

- Statistics Finland. (2020). *Finland in figures 2020*. http://www.stat.fi/tup/julkaisut/tiedostot/julkaisuluettelo/yyti_fif_202000_2020_23214_net.pdf.
- Stenka, R., & Taylor, P. (2010). Setting UK standards on the concept of control: An analysis of lobbying behavior. *Accounting and Business Research*, 40(2), 109–130. <https://doi.org/10.1080/00014788.2010.9663387>
- Tabone, N., & Baldacchino, P. J. (2003). The statutory audit of owner-managed companies in Malta. *Managerial Auditing Journal*, 18(5), 387–398. <https://doi.org/10.1108/02686900310476855>
- Tandy, P., & Wilburn, N. (1996). The academic community's participation in standard setting: Submission of comment letters on SFAS Nos. 1-117. *Accounting Horizons*, 10(3), 92–111.
- Thomas, D. R. (2006). A general inductive approach for analysing qualitative evaluation data. *American Journal of Evaluation*, 27(2), 237–246. <https://doi.org/10.1177/1098214005283748>
- Van Tendeloo, B., & Vanstraelen, A. (2008). Earnings management and audit quality in Europe: Evidence from the private client segment market. *European Accounting Review*, 17(3), 447–469. <https://doi.org/10.1080/09638180802016684>
- Vanstraelen, A., & Schelleman, C. (2017). Auditing private companies: What do we know? *Accounting and Business Research*, 47(5), 565–584. <https://doi.org/10.1080/00014788.2017.1314104>
- Weetman, P., Davie, E. S., & Collins, W. (1996). Lobbying on accounting issues: Preparer/user imbalance in the case of the operating and financial review. *Accounting, Auditing & Accountability Journal*, 9(1), 59–76. <https://doi.org/10.1108/09513579610109978>